

# Service Verification Audit for the “Public Livestock Commitment”

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JBS S.A.

Date: 06/09/2023



## I) Introduction

Since 2007, Greenpeace has been studying the behavior of the livestock production chain in the Amazon [Brazilian Rain Forest]. After a long investigative process, in 2009, the organization released the report “A Farra do Boi na Amazônia” which pointed out the relationship between meatpacking companies involved in illegal deforestation and slave labor with cutting-edge products sold on the international market such as bags and sports shoes. Since then, meatpackers JBS, Marfrig and Minerva have made a public commitment to exclude, from their list of suppliers, farms that deforested the Amazon rainforest after October 2009, in addition to those that use slave-like labor or are located on indigenous lands and conservation units. The public commitment that establishes criteria for the purchase of livestock on properties located in the Amazon Biome is called the Public Commitment of Livestock and defined through the document **“MINIMUM CRITERIA FOR OPERATIONS WITH LIVESTOCK AND BEEF PRODUCTS ON AN INDUSTRIAL SCALE IN THE AMAZON BIOME”**.

## II) Purpose

Associação Control Union Certificates was hired with the purpose of independently evaluating, through an audit, the information and processes of JBS S.A. that make it possible to identify whether the company has met the criteria assumed in the Public Livestock Commitment, covering the period from 1/1/2022 to 12/31/2022.



### **III) Audit Period**

The audit was carried out in the period between 05/22/2023 to 06/14/2023, covering livestock purchase operations between January 1<sup>st</sup> and December 31<sup>st</sup>, 2022, from supplier farms located in the Amazon Biome.

### **IV) Description of the Company and the Beef Livestock Purchase Process with regard to compliance with the Livestock Public Commitment**

JBS was founded in 1953, it is a Brazilian multinational corporation, recognized as one of the global leaders in the food industry. Headquartered in the city of São Paulo, the Company is present in 20 countries through a global production and distribution platform, JBS has more than 450 production units and offices in five continents - Americas, Asia, Europe, Africa, and Oceania.

In all the places where it operates, the more than 250,000 employees follow the same guidelines in relation to aspects of sustainability – economic, social and environmental –, innovation, quality and food safety, with the adoption of best practices, always guided by the same Mission and values.

JBS has a diversified product portfolio, with options ranging from fresh and frozen meats to ready-to-eat dishes, sold through well-known brands in Brazil and abroad, such as Friboi, 1953, Swift, Seara, Seara Gourmet, Doriana, Massa Leve, Pilgrim's Pride, Plumrose, Primor, among others. The Company also operates with related businesses, such as Leather, Biodiesel, Collagen, Wrapping for sausages, Hygiene & Cleaning, Metallic Packaging, Transport and waste management solutions, innovative operations that also promote the sustainability of the entire Business value chain.

Currently, the company has 37 livestock processing units in Brazil, 24 of

which purchase livestock from farms located within the Amazon Biome. The scope of this audit considered 24 slaughter units: Água Boa/MT, Alta Floresta/MT, Araguaína/TO, Araputanga/MT, Barra do Garças/MT, Brasnorte/MT, Colíder/MT, Confresa/MT, Diamantino/MT, Goiânia/GO, Juara/MT, Marabá/PA, Mozarlândia/GO, Pedra Preta/MT, Pimenta Bueno/RO, Pontes Lacerda/MT, Porto Velho/RO, Redenção/PA, Rio Branco/AC, Senador Canedo/GO, Santana do Araguaia/PA, São Miguel do Guaporé/RO, Tucumã/PA and Vilhena/RO.

The “Public Livestock Commitment” is made up of five main points publicly assumed, so far, by the 3 (three) largest meatpacking groups in Brazil. According to the commitment, the signatories committed themselves to adopt the established criteria, within certain deadlines, no longer acquiring livestock from:

- a) Farms (direct and indirect suppliers<sup>1</sup>) that have deforested within the Amazon Biome<sup>2</sup> after October 2009;
- b) Farms that are on the list of embargoed areas by the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA [an acronym that stands for “Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis”]) and/or Farms located within Indigenous Lands and Environmental Conservation Units (protected areas);
- c) Farms where there are slave or degrading labor practices, according to the list of the Ministry of Labor and Social Security published on its official website, or even the List made available by INPACTO (National Pact Institute for the Eradication of Slave Labor), obtained by the Law on Access to Information (Law no. 12.527/2012) with the MTE, in cases of suspension of publication;
- d) Farms that are on illegal land or that were acquired through violence in the field based on unequivocal knowledge from the company, through communications sent by the Public Ministry, INCRA, justice and others.

To comply with the Commitment, JBS has its own monitoring system for farms that supply livestock. All farms that supply livestock are registered in the JBS system and all slaughterhouses access this system to purchase livestock. The corporate area of Sustainability at JBS is responsible for managing this system and updating the situation of registered producers and properties in accordance with company policies.

JBS structures the monitoring process into two stages. In the first stage, the corporate Sustainability team analyzes the situation of the supplier farms according to the information contained in the public lists accessible on IBAMA websites, whose list is updated daily, and the Slave Labor list, through the daily download of the official databases, crosses with the CPF/CNPJ of the registered suppliers. This criterion is applied to 100% of livestock suppliers to JBS in Brazil. Producers who have CPF/CNPJ present on IBAMA's public lists and/or Slave Labor are automatically blocked from purchasing in the JBS system. For the CPF/CNPJ that appear on the list of areas embargoed by IBAMA and in the case of producers who own more than one farm, only the farm on the public list remains blocked for purchase and JBS manages this situation by requesting that the producer prove that the supplying farm is different from the one informed on the IBAMA list. For the Slave Labor list, all producer farms that have CPF/CNPJ listed are blocked.

In the second stage, geospatial monitoring is carried out, which analyzes the maps of the supplying farms, through the Rural Environmental Registry (CAR) and compares them considering the criteria of deforestation, polygons of environmental embargoes and invasion of protected lands (Indigenous Lands and Environmental Conservation Units) within the Amazon Biome. This geospatial monitoring is carried out by the company Agrottools, which was hired by JBS and uses as a basis the official deforestation data released by the National Institute for Space Research - INPE (PRODES), the polygons of

environmental embargoes made available by IBAMA, official maps of indigenous lands released by the National Foundation for the Indigenous People - FUNAI and official maps of the Units of Environmental Conservation of the Ministry of the Environment – MMA. The maps of the farms from the official CAR base are compared with the maps made available by INPE, FUNAI and MMA to verify the existence of overlaps and then be able to understand if the supplying farms are blocked or approved for commercialization. Agrottools provides a daily monitoring report on the farms that supply JBS with raw materials and are located in the Amazon Biome. This report presents the situation of the farms (blocked or approved) and, in case of non-compliance, it presents the reason (invasion of Environmental Conservation Units, invasion of Indigenous Lands, deforestation based on PRODES data for the years 2008 to 2022, embargoes for deforestation, etc.). Farms indicated as "blocked" are automatically blocked from purchasing raw materials in the JBS system.

JBS has around 84,000 farms in its supplier register and when checking the lists provided, 12,139 thousand suppliers were blocked for purchase (IBAMA List, Slave Labor List and Geo List). There are suppliers listed by IBAMA that have farms different from those listed, in this case an analysis is made of each property considering the municipality and the name of the farm and compared with the map of the farm that is intended to be purchased, assessing whether the embargoes are not overlapping with such a farm. If it is proven that the IBAMA embargo is not on the property in question, the supplying farm is released manually and the purchase is allowed (if there is no other reason for blocking). The unlocking of blocked farms can only be carried out by a specific user profile of the corporate team, upon presentation of evidence sent by the supplier that justifies its release. All evidence is analyzed and, if it generates unlocking, it is kept on file by the company.

JBS complies with the requirement of the Ministry of Agriculture, Livestock and Supply (MAPA) which provides for the inspection of the movement of animals, purchasing only animals that have issued the Animal Transit Guide (GTA [acronym that stands for “Guia de Trânsito Animal”]).

## **V) Procedures**

### **Stage 1 – Sampling process, testing of the livestock purchasing system and testing of the non-compliance supplier blocking system.**

#### **Step 1 – Sampling Selection**

The Audit Verification is limited to the procedures of the reference protocol used (Term of Reference for Third Party Audits- 2017), defined in agreement between the signatory companies.

Audit verification began on 5/22/2023 with the extraction of purchase reports, a process carried out by JBS's Information Technology department. The extraction of the lists was accompanied by an Information Technology professional from Associação Control Union Certificates to ensure that the programming language did not have filters or biases that could influence the result of the operation. The records were obtained in full and no deviation was observed.

Sampling was carried out considering a random choice criterion of 10% of the total purchase orders of 67,506. A total of 6,750 purchase orders were then selected, considering the entire list of livestock suppliers in the Amazon Biome within the period January 1, 2022 to December 31, 2022, in accordance with the Term of Reference for Third Party Audit 2017 – TDR defines for sampling

selection, how to contain purchase operations of all units and of all months of the verified period.

The following purchase orders were analyzed according to table 1 below.

<b>Units</b>	<b>No. of Livestock Purchase Operations</b>	<b>Sampling 10% total number of purchases</b>
<b>1. Alta Floresta- MT</b>	2,255	225
<b>2. Água Boa - MT</b>	2,358	236
<b>3. Araputanga - MT</b>	3,715	371
<b>4. Araguaína-TO</b>	1,580	158
<b>5. Barra do Garças -MT</b>	2.417	242
<b>6. Brasnorte -MT</b>	200	20
<b>7. Confresa-MT</b>	3,241	324
<b>8. Colíder –MT</b>	1,571	157
<b>9. Diamantino -MT</b>	2,212	221
<b>10. Goiânia - GO</b>	2,755	276
<b>11. Juara- MT</b>	120	12
<b>12. Marabá-PA</b>	4,666	467
<b>13. Mozarlândia- GO</b>	3,072	307
<b>14. Pedra Preta - MT</b>	1,486	149
<b>15. Ponte e Lacerda -MT</b>	1,740	174
<b>16. Pimenta Bueno -RO</b>	6,894	689
<b>17. Porto Velho - RO</b>	2,184	218
<b>18. Rio Branco -AC</b>	2,280	228
<b>19. Redenção - PA</b>	2,439	244
<b>20. São Miguel Guaporé- RO</b>	7,640	764



<b>21. Santana do Araguaia- PA</b>	2,261	226
<b>22. Senador Canedo - GO</b>	2,311	231
<b>23. Tucumã-PA</b>	3,077	308
<b>24. Vilhena - RO</b>	5,032	503

The audit is based on sampling based on verification of documents, on information collected in interviews with the Sustainability and Origination – Livestock Purchase areas. The analyzed documents are described in table 2 below.

**Table 2. Checklist of analyzed documents**

<b>Document Name</b>	<b>Scope date/code and version</b>	<b>Rated1 (Y/N)</b>
Term of Reference for third party audit 2017 (base year 2016).	2017.	
Procedures or System Manual	Revision date 6/9/2023	Y
Purchase Records	Livestock purchase information, from all units, for the period from January 1 to December 31, 2022.	Y
Monitoring System	Agrotools company system, which is specialized in geospatial monitoring	Y
Locking System	ERP system / verified operation during the audit, on June 2 <sup>nd</sup> , 2023.	Y
List of Suppliers	Livestock purchase information from all farms suppliers located in the Amazon Biome, for the period from January 1 <sup>st</sup> to December 31 <sup>st</sup> , 2022.	Y
Public list of embargoed properties – IBAMA	Consult website: <a href="https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php">https://servicos.ibama.gov.br/ctf/publico/areasembargadas/ConsultaPublicaAreasEmbargadas.php</a>	Y

Public list of people / companies - tagged to slave labor	Lists consulted from the register of employers: Update: Lists updated on December 23, 2021, February 11, 2022, February 15, 2022, March 14, 2022, April 3, 2022, April 5, 2022, April 28, 2022, May 30, 2022, September 15, 2022, September 16, 2022, October 5, 2022, October 17, 2022, October 19, 2022, November 1, 2022, November 28, 2022, December 2, 2022 and December 14, 2022.	Y
List of Blocked Suppliers - Geo	Lists of supplier farms with "Approved" and "Blocked" status in force at the time of generation of livestock purchase orders (January 1 to December 31, 2022). Held on 6/6/2023.	Y

## Step 2 – Livestock purchasing system test

The 10% of purchases sampled in the period from January 1, 2022 to December 31, 2022, the CPF/CNPJ contained in the IBAMA List, Slave Labor List, were compared, in addition to verification through the codes of the registered suppliers of the farms with purchases from the Geo List generated by Agrottools (Approved and Blocked Lists in force at the time of generating the livestock purchase orders), all updated through document analysis to access the JBS livestock purchasing system, in accordance with the Term of Reference.

Of the 6,750 sampled purchase operations, which correspond to 10% of the total purchases in the evaluated period, from JBS S.A's refrigerated units located in the Amazon biome, it is concluded:

- There was no evidence of any farm purchase operation on the MTE List, according to the lists updated on December 23, 2021, February 11, 2022, February 15, 2022, March 14, 2022, April 3, 2022, April 5, 2022, April 28, 2022, May 30, 2022, September 15, 2022, September 16, 2022, October 5, 2022, October 17, 2022, October 19, 2022, November 1, 2022, November 28, 2022, December 2, 2022 and December 14, 2022;

- Fifty-five (55) production units were shown, present on the GEO List, however, according to evidence presented by JBS, purchases were registered on dates prior to the date of the block. Therefore, no purchase operation analyzed presented any irregularity regarding the criteria for deforestation (PRODES) environmental embargoes and/or overlapping with protected areas (Indigenous Lands and/or Environmental Conservation Units);

A total of 172 (one hundred seventy-two) purchase operations were evidenced for production units on the IBAMA List, however, according to evidence presented by JBS, purchases were recorded on dates prior to the date of inclusion of producers on the list of Embargoed Areas by IBAMA or the CPF was on the list of Embargoed Areas, but the embargo referred to another Property.

Therefore, no purchase of livestock was identified in disagreement with the criteria of the GEO List and IBAMA List.

The traceability of direct suppliers is guaranteed through the Animal Transit Guide (GTA), which is mandatory for the purchase of livestock and verified by the SIIF/MAPA of each JBS unit.

JBS has full traceability of 100% of its direct suppliers, through the Animal Transit Guide (GTA), which is mandatory for the purchase of livestock; in addition, traceability also applies to the final product (fresh meat): with the QRCode displayed on the packaging of the final products sold, any consumer can consult the origin of the product, through the date of slaughter and the SIF/MAPA number of each JBS unit.

For the traceability of indirect suppliers, in September 2020, JBS announced a commitment to carry out the monitoring of its indirect suppliers until 2025. In March 2021, the company launched the "Transparent Livestock Platform",

using blockchain technology, which will allow extend socio-environmental monitoring to suppliers of its beef suppliers. By the end of 2025, the company must ensure that all its suppliers have adhered to the program, a period in which the condition will become mandatory for the sale of animals. For this, the company defined progressive annual goals to ensure the engagement and registration of suppliers on the platform. All suppliers must be registered on the platform, being monitored and adhering to the JBS Responsible Purchasing Policy, both direct and indirect suppliers.

JBS also has the Green Offices Program, for engagement and free technical support to suppliers, the company created the program that aims to offer free technical consultancy for the environmental regularization of properties with environmental liabilities. For this, 18 (eighteen) Green Offices were implemented in Friboi's processing units, being present in Marabá, Redenção, Santana do Araguaia and Tucumã (PA), Porto Velho and São Miguel do Guaporé (RO), Alta Floresta, Barra do Garças, Vilhena, Confresa, Diamantino, Pedra Preta and Pontes and Lacerda (MT), Goiânia and Mozarlândia (GO), Campo Grande and Naviraí (MS), as well as Araguaína (TO). The program has already enabled the environmental regularization and commercial reinsertion of 5,600 properties associated with the commercialization of more than 2 million animals. The Green Offices also have the objective of engaging suppliers to adhere to the Transparent Livestock Platform. <https://jbs.com.br/sustentabilidade/escritorios-verdes/>

### **Step 3 – Testing the non-compliance supplier blocking system**

In addition to the sampling mentioned above, purchase situations were simulated for the slaughterhouse in Marabá/PA for 30 supplier farms, at random, as follows: 10 farms linked to CPF/CNPJ present on the IBAMA List,

10 farms linked to CPF/ CNPJ from the slave labor list and 10 farms classified as “blocked” in terms of Geospatial monitoring (Geo List), chosen at random, within JBS' livestock purchase operations in the period between January 1st and December 31st, 2022. Blocking test was carried out on 02/06/2023, the objective of this sampling was to verify if there would be the possibility for the system to generate purchases from suppliers that are blocked in the lists.

Conclusion: in all simulations, the purchase system (ERP) did not allow the purchase of livestock, presenting the automatic block that makes it impossible to record the purchase order. This is due to the tools used to block non-compliant suppliers.

For cases of suppliers on the list of areas embargoed by IBAMA, who have more than one farm linked to their CPF/CNPJ, each property is analyzed through the municipality, name of the farm and, in some cases, the geographic coordinates of the embargo are evaluated, in comparison with the map of the farm where the livestock is to be purchased, evaluating whether the location of the embargo polygons does not overlap with such farm. If it is proven that the IBAMA embargo is not on the property in question, the supplier farm is manually released by the Sustainability team, to be carried out allowing the purchase of livestock. All steps and files of this procedure are documented and archived.

## **Stage 2 – Outsourced geomonitoring company**

### **Step 1: Verification of procedures**

The verification took place on June 6, 2023 with the company Agrottools, which performs geospatial analyzes for JBS, and the processes for obtaining this data were presented. It was verified that the contracted company is duly

qualified to carry out the activities. Were presented:

1. ART [Anotação de Responsabilidade Técnica] record (Technical Responsibility Note) referring to the activities carried out;
2. Head Offices and Branches CNPJ Card;
3. Project documentation containing the scope of activities, operational plan and technical description referring to the access procedures, treatment and use of databases referring to the criteria used in socio-environmental analyzes.

### **Step 2: Monitoring simulation**

To test the monitoring system (Geo List), a monitoring simulation of several JBS supplier farms was carried out. The monitoring company, Agrottools, responsible for generating the Geo list, receives data from farms that supply JBS and validates the data. The property is registered in the Agrottools system and the GeoID, geographic identity of the property, is generated. Next, the geometry is analyzed against the defined socio-environmental criteria, reporting overlap when applicable. Farm maps are provided by suppliers, through the CAR, based on official documents (CAR, property registration, etc.), which are monitorable, reportable and verifiable, and Agrottools evaluates the information received before analyzing the geometry, certifying that that information is really from the supplier farm linked to the digital map. A random selection was made from the Geo List of farms that supply JBS, including both blocked and approved suppliers, to assess the functioning of the monitoring system, considering deforestation (10 properties), invasion of Environmental Conservation Units (10 properties) and Invasion of Indigenous Lands (10 properties), totaling the simulation of 30 supplier farms. The results were satisfactory with the status of each adherence property in the Geo List.

### **Stage 3 – Evaluation of land and environmental regularization documents**

The information related to the land tenure and environmental regularity of the supplier farms was based on verification of the various related documents, such as CAR or LAR and CCIR, which are obtained through presentation by the supplier and validated by the Sustainability area of JBS.

The LAR (Rural Environmental License) of supplying farms still requires adequate regulation by official bodies and instruments that enable its application in the various Brazilian states. In the case of the State of Pará there is an exception, which has developed new regulations and an integrated system that allows producers to regularize themselves in relation to the rural environmental license of the property, and where the presentation of the LAR for properties equal to or greater than 3,000 hectares is mandatory for all registrations of JBS suppliers in the State. For the CAR [Cadastro Ambiental Rural] (Rural Environmental Registry) according to the new Forest Code (Law No. 12,651, of May 25, 2012), all producers must register in the Rural Environmental Registry. 25 properties were selected for CAR verification; all have CAR registration, however, for LAR and CCIR, it was verified that some properties do not have the documents.

As the responsibility for maintaining this document is not exclusive to JBS, depending on public policies and actions of responsible government agencies, this is not a mandatory point of service in this Term, being a verification item, a point of continuous improvement in this matter is indicated.

The regulation of the LAR [Licenciamento Ambiental Rural] (Rural Environmental Licensing) is lacking in several Brazilian states, due to regional differences and impracticable legislation in their respective scopes.

## **VI) Results of the audit process**

Based on the sample of the livestock purchase operations analyzed, in a total of 6,750 livestock purchase operations, no purchase operation was identified from a supplier referring to the list of embargoed areas of IBAMA, no purchase operation that was irregular in relation to scopes. the Slave Labor list and no supplier purchase operations from the Geomonitoring blocked list (deforestation, embargoed areas and invasion of indigenous lands and/or environmental conservation units).

Regarding the monitoring of indirect suppliers, JBS still does not have a system in place to manage all indirect suppliers in the livestock chain. The company has a public commitment to reach the goal by 2025 and a free online platform available to its suppliers.

### **1. Access to information**

The analyzed documents are described in Table 1.

### **2. Non compliance**

Indirect suppliers of JBS livestock are still not checked in their entirety in a systematic way in the livestock chain.

### **VII) Audit Limitations**

There were no limitations during the audit. The audit took place with weekly meetings held every Friday with the presence of the audit team and JBS managers in compliance with the Term of Reference for Third Party Audits.

### **VIII) Conclusions**



Based on the verification carried out, meetings, analyzed documentation and findings described in this report, they can conclude from this assessment in relation to JBS's adherence to the "Public Commitment of Livestock":

1. From the sampling of 6,750 livestock purchase operations carried out by JBS, originating from supplier farms located in the Amazon Biome, in the period from January 1 to December 31, 2022:

1.1 No irregularities were identified in relation to the IBAMA List.

1.2 No irregularities were identified for the MTE List criterion.

1.3 No irregularities were identified for the GEO List criteria (deforestation, embargoed areas and invasion of indigenous lands and environmental conservation units).

1.4 The company does not have a management system for all indirect suppliers.

2. There is documental control in the receipt of livestock for slaughter at the slaughterhouses, through the Animal Transit Guide [Guia de Trânsito Animal] (GTA), with precise information, without which there is no release for receiving animals from the supplier. Thus, ensuring the traceability of 100% of livestock slaughtered from direct suppliers.

3. Indirect suppliers of JBS livestock are still not checked in their entirety in a systematic way in the livestock chain.

Location: Sorriso

Date: 06/09/2023

Joana Paula da Silva de Carvalho

Leader Audit – Associação Control Union Certificates



**Audit Team:**

Lais Ferreira – Auditor

## Appendix 1 – Tables

**Table 1. Total Purchases and Sampling**

1. Total Purchases and Sampling	
<b>Total purchases of raw materials originating in the Amazon Biome made by JBS S.A from January 1st to December 31st, 2022.</b>	Total purchases sampled for carrying out the analyzes presented
<b>67,506</b>	<b>6,750</b>

**Table 2. Nonconformities found during the audit period**

2. Non Conformities (base year 2022)			
	Total nonconformities	% of nonconformities in relation to total purchases in the base year	% of non-compliance in relation to total purchases sampled
<b>Purchases of raw materials originating from properties where deforestation after Oct/2009 was identified.</b>	0	0	0
<b>Purchases of raw materials originating from properties with overlapping Indigenous Lands</b>	0	0	0
<b>Properties blocked by presence in UC</b>	0	0	0
<b>Properties blocked by presence in the MTE List</b>	0	0	0
<b>Properties blocked due to their presence on the IBAMA List</b>	0	0	0
<b>Properties blocked by other criteria foreseen in the commitment not described above (specify)</b>	0	0	0

**Table 3. Block test results**

3. Block Test			
	Total Number of Tests	Conforming	Nonconforming
<b>IBAMA</b>	10	10	0
<b>MTE</b>	10	10	0
<b>GEO (PRODES, DETER, TI and UC)</b>	10	10	0